



## Strategic Alliances Popular for Small Businesses

**The use of strategic alliances or joint ventures has rapidly become popular with a growing number of small business owners.** Strategic alliances can be formal or informal where two independent small businesses with the same goals coordinate their efforts often leveraging their marketing efforts for a common purpose. This strategy offers many potential advantages for the small business owner, but can also be riddled with special considerations.

**Small businesses owners may have many motivations to form strategic alliances.** Many times each partner brings complementary strengths to the table, resulting in a competitive advantage for the participants collectively.

**You can benefit from a strategic alliance in various areas including growing your list of prospects, risk sharing, and economies of scale.**

### Growing Your List

Your list of contacts instantly doubles as does your outreach when combined with another. A partner's list can be invaluable if it gets services and products into a new market and/or seen by a larger audience. When you partner with someone who serves an industry with related but not competitive products, the advantage is more easily achieved too.

### Risk Sharing

With strategic alliances you share the risks. With strategic alliances, small businesses can take on projects that would be otherwise too risky or too costly. When they work, it pays off nicely.

### Economies of Scale

When two or more small businesses combine their resources, economies of scale are achieved helping maximize efficiency. Cooperative strategies also allow small companies to join together to compete against larger companies. In addition to the economies of scale, this partnership decreases costs much more so than if the small business owner attempted the venture on their own.

**In order to realize the benefits from partnering, there are many considerations in choosing a partner for a strategic alliance.** If you're thinking of a joint venture or strategic alliance, remember to include these criteria in your partner selection:

**Understand your potential partners' goals.** A potential partner must have complementary strategic objectives. A venture cannot succeed if the objectives are in conflict.

**Make sure potential partners possess complementary skills.** Each partner must contribute more than resources to the project and bring other competencies into the venture. You may bring technical skills while your strategic partner brings knowledge of a market. There are many skills that a company can bring into the relationship but make sure each person's skills are balanced.



**One of my Success Circle Members learned this valuable lesson early on in one of her strategic alliances.** She invested in her own personal development throughout the year. As a result, she developed a growth mindset and a completely new way of growing her business. With laser focus, she identified the precise attributes that made up her preferred client. When she wanted to host a big event with another small business owner who she thought had the same target market, she was initially looking forward to the venture. However, at every turn, the project lacked synergy. When she tried to introduce new ways to attract certain business owners to the event, her strategic partner wanted to use an approach she was familiar with. It turns out that her alliance partner was more comfortable participating in an event she had experience with rather than reach out to more of niche market. Neither was right or wrong, just different ideas and visions.

**Partners must offer complementary skill sets otherwise it may lead to trust issues or resentment.** Regardless of how mutually beneficial and rational the venture may seem, without trust and commitment, the association will fail. There are a variety of ways that you can attain and sustain commitment and trust in cooperative ventures. In addition to outlining specific goals, discussing intentions and visions is a crucial step toward building trust.

**Each strategic partnership should challenge you to achieve the next level.** Whether you are joint venture partners or working in groups, make sure that the people you associate with challenge you to play your A Game. If you feel like you're pulling people along, it's probably time to move on.

**When you bring together the right strategic alliance, you'll notice synergy.** With synergy, new products or services are created for the market quicker or better than they might have been if the companies had kept their resources to themselves. Each venture should create something greater than the two companies could have achieved alone. When there is synergy, everyone benefits.